SNOWDEN

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(FROM LIPPINCOTT'S MAGAZINE.)

BY J. ROSS SNOWDEN.

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FOR JANUARY, 1870.

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1-26-44

THE Paris Convention of 1867 proposed to adopt a multiple of the franc of France as the common unit of value for an international coinage. A suggestion has recently been made to modify that proposition by a slight increase in the intrinsic value of the franc, so as to make five francs more nearly of the value of the dollar of the United States. As this suggestion does not change the general character of the original proposition, but only the details, I will present my views as to the plan first proposed; and that is, in substance, the adoption of a multiple of the franc—namely, five francs—as the common unit of value for

* The substance of this paper was read before the Antiquarian and Numismatic Society of Philadelphia, November 17, 1869, in response to a resolution of the Society inviting the attention of the writer to this subject. J. R. S.

an international coinage. More precisely stated, it is proposed to coin a gold piece of twenty-five francs, which is to be equal to five dollars, the half-eagle, in the United States, and equal to one pound sterling, the sovereign, in England.

The value of the coins of France, and the nations in unison with that country, of England and the United States, expressed in Federal money, is as follows:

France, twenty-five francs . .	$4.82.28
England, pound (sovereign). .	4.86.34
United States, half-eagle . . .	5.00

The values of the foreign coins are herein given according to the legal contents, or amount of fine gold, in the coins of the United States. There is a charge of the one-half of one per cent. for coinage at the mint of the United States, which reduces to that extent the mint value of foreign coins; but as it is proposed that the new issues shall pass current in the different countries, the charge for recoinage ought not to enter into the comparison. The above is therefore a correct comparison of the amount and value of the fine gold contained in the coins of the nations above stated, as now established.

It will thus be seen that the proposed international coins would reduce the amount of gold contained in the coins of the United States, and consequently their intrinsic value. The new coins, instead of being of the intrinsic value of $5, would be of the value of $4.82.228, causing a reduction below the present value in each dollar of 3.542 cents, thus reducing the dollar to 96.437 cents; in other words, a little more than 3½ per cent.

Since the passage of the Act of Congress of February 21, 1853, and the coinage of silver as therein directed, by which the half dollar and the lower denominations are reduced in weight 28½ grains per dollar below the standard previously established, gold is practically the only money of the United States. Silver coins are only subsidiary to gold, and are in fact demonetized; being merely "change" and tokens, and as such are made a legal tender for the small sum of five dollars.

In speaking of gold as the only money of the United States, I must not be misunderstood in regard to the paper currency established by law, which is also declared to be "lawful money of the United States." But that authorization is only a temporary expedient, and its issues are not connected with international coinage or with foreign exchange. I may say here, however, that the expedient referred to was required in order that the government might obtain the means to maintain the Union of the States and to subdue an organized rebellion against its authority.

To meet the necessities of our country by the use of a substitute for money was a measure within the easy range of the most ordinary mind, but to remove such a currency when no longer necessary, and to fill the void with coin or notes immediately redeemable in coin when the storm has passed away, come within the peculiar province of the enlightened statesman.

There is, it appears, a difference in opinion between the chief officer of the Treasury Department and Congress as to the best policy to be pursued in reference to the restoration of the constitutional currency; but whatever may be the measures of our government, the tendency of the public mind under the influences of our unbounded resources will always be favorable to a specie currency; and in a few years whatever amount of the present paper currency remains outstanding will be equal to *gold*.

And just here I may say that the question which is sometimes mooted as to the *medium* in which the obligations of the government of the United States hereafter falling due will be paid is of no practical importance. They will be paid in money of the United States; and by the time they fall due the money of the United States will be in fact what it is now in theory—namely, gold. No one who properly values the honor and credit of our country, ought to object to or complain of this. The obligations

of the government ought to be paid not only according to the letter, but the spirit of the bond.

And this brings me to the consideration of the effect of reducing the gold dollar upon existing obligations, both public and private. It is, in my judgment, unwise and inexpedient to complicate this subject by introducing a new element of embarrassment, even admitting that the measure in question, in the abstract, is practicable and judicious. We have already had in the Federal and State courts many difficult questions to solve, arising from the paper currency as compared with gold, and also as compared with silver dollars and coin generally. If we now abandon the gold dollar by reducing its value, we will open a new element of discord and perplexity. Moreover, if it even could be done legally, is it just to pay a debt of one hundred dollars by compelling the creditor to receive ninety-six dollars and forty-five cents, or to receive any sum less than that which is stipulated to be paid? These questions, and others of similar character, can only, in my judgment, be answered in the negative.

Let us now briefly consider what is proposed to be gained by the measure under discussion. I have stated some of the objections which may be presented against the particular project recommended by the Paris Convention. But I think it can be shown that any international coinage is devoid of practical usefulness, at least to the extent claimed for it by its advocates. One insuperable difficulty at the very threshold will occur to any one who has some knowledge of mint operations: that is, How are the standard weight and fineness of the coins to be maintained? It is a well-known fact in coinage that the exact standards, even where there is a strict legal supervision and annual assays or trials of the pyx, are not strictly maintained. How much more difficult, and even impossible, will this be when the coinage is executed in different and independent sovereignties!

There is an allowed variance as to the standard weight and fineness in all countries: some allow more, some less. There is also a marked difference in maintaining the exact legal standard. This is partly due to the metallurgical difficulty in obtaining an exact conformity, but it is also due to the greater or less skill and carefulness with which the operations of the mints are conducted. In the United States there is an allowance of two thousandths, which may be either above or below the standards fixed by law—namely, nine hundred thousandths of pure gold in every one thousand parts. The operations in the United States Mint will compare favorably with those of the mint of any other nation. I remember but one instance in which the legal allowance was exceeded, and that was at the Branch Mint in New Orleans, about twenty years ago. The coinage is well maintained within the limitations allowed by law. But mints which are foreign to each other will vary as to their adherence to any standard. Dealers in bullion and exchange will soon notice this variance, and that consequently there is some difference in the amount of fine gold in the coins. In that event they would not be at par with each other, but would be at a discount or premium, as the case might be. This would result from the smallest variance, because, in large sums of money, bankers and dealers in bullion and exchange would notice the increase or diminution in value where many pieces are united in one transaction. Moreover, to maintain at par the coinage of distant and independent nations would require an equal demand for gold at all points, which is impossible.

In the adherence to standards there is more exactitude in the mint of the United States than in those of France. In the mint report for 1867 it is said that recent assays of gold pieces from the mints of Paris and Strasbourg show a fineness varying from .898.5 to .899.8, and averaging .899.2. This has generally been the result for many years, and is not what should be expected. The average ought to be .900, as re-

quired by law. This is important in its bearing upon the question under consideration, for if there is to be an interchange of coins, the respective countries must keep good faith in regard to the fineness of their coins, otherwise the matter will soon come to an end.*

It is a curious fact that the actual coins of the United States do not form the basis of our foreign exchange. The value of the dollar in such transactions is founded upon a fiction and a gross error. It may be interesting, as well as useful to our present discussion, to state how this has arisen.

The pound, though of various values, was originally the unit in the money of account in all the American colonies, and in the States until the dollar was adopted by a resolution of Congress in 1785. It was originally the English pound sterling, but as the several colonies very soon resorted to a paper currency, its value was diminished, bearing a relation to the amount of paper currency issued. This currency was greater in some of the colonies than in others. The largest amount was issued in New York and North Carolina; a less amount was issued in Pennsylvania, Delaware and Maryland; still less in New England and Virginia; and the smallest amount in South Carolina and Georgia. Under the influence of these paper issues the value of the pound of the several colonies, and afterward of the States, was, as compared with the specie dollar, as follows: In New York and North Carolina, 8 shillings were rated at $1; then, as 96 pence were equal to the dollar, so 240 pence were equal to $2.50; and this was the current value of the pound in these States. In Pennsylvania, Delaware and Maryland, 7 shillings and 6 pence were rated to the dollar; and by the same proportion the pound of those States was valued at $2.66.66 +. In the New England States and Virginia, 6 shillings were rated to the dollar: the value of the pound of these States was therefore $3.33.33+. In South Carolina and Georgia, 4 shillings and 8 pence were rated to the dollar: the value of the pound of these States was consequently $4.28.57.

The above statement is thus briefly presented:

New York and North Carolina	8*s*.	=$1...£1=	$2.50
Pennsylvania, Delaware and Maryland	7*s*. 6*d*.	=$1...£1=	2.66⅔
New England and Virginia	6*s*.	=$1...£1=	3.33⅓
South Carolina and Georgia	4*s*. 8*d*.	=$1...£1=	4.28½+

These were the valuations of the local paper currencies.†

The Spanish-American dollar was not only the standard by which the local currencies were valued, but was a well-known coin, and generally used for home transactions, which required specie. The British government did not favor the circulation of foreign coins in its colonies. As early as the time of Queen Anne, in order not only to discourage this circulation, but also to promote the coinage of the British mint, the Spanish-American dollar was undervalued. By the statute of 6 Anne, chapter 30, this coin was valued at four shillings six pence to the dollar. From thenceforward this became the accredited value of the dollar. And the value of the pound sterling was thus deduced: as 4 shillings 6 pence, or 54 pence, are equal to $1, so £1, or 240 pence, is equal to $4.44.44+, or four dollars and four-ninths of a dollar.

But the Spanish-American dollar as adopted by the Act of Congress of April 2, 1792, establishing the Mint, was of greater value than this. It was of the weight of 416 grains—371¼ of fine silver. It rated a little less than 4 shillings 2 pence, or about 49½ pence, to the dollar. The actual value of the coinage, as

* Mint Report, p. 14.

† The United States Commissioner, Mr. Ruggles, has a short way of stating the value of the colonial pound. He says: "The twenty silver shillings which *the colonies coined*, being reduced in weight, were not equal in value to the pound sterling of the parent country!" The pound of the colonies was simply a money of account: there was no such coin. Massachusetts, it is true, issued the "Pine Tree Coinage," composed of shillings, sixpences and threepences, at an abatement of about one-sixth of the value of the English pieces; and Maryland followed the example: these were the only issues of silver coins previous to 1776.

compared with the pound sterling, was nearly $4.84; and at that sum it was valued, and continues to be valued, in foreign exchange. The difference between the ideal dollar and the dollar established by the Act of 1792 may be stated to be about nine per cent.; and this difference is now allowed in buying and selling foreign exchange.

Mr. Hamilton, in a report to Congress made in 1791, says: "The pound, though of various value, is the unit of the money of account of all the States. But it is not equally easy to pronounce what is to be considered as the unit in the coins, there being no formal regulation on the point. The resolutions of Congress of 1785 and 1786 having never yet been carried into operation, it can only be inferred from usage or practice. The manner of adjusting foreign exchanges would seem to indicate the dollar as best entitled to that character. In these the old piaster of Spain, or old Seville piece of eight reals, of the value of four shillings six pence sterling, is evidently contemplated. The computed par be-between Great Britain and Pennsylvania will serve as an example. According to that, one hundred pounds sterling is equal to one hundred and sixty-six pounds and two-thirds of a pound Pennsylvania currency; which corresponds with the proportion between four shillings six pence sterling and seven shillings and six pence, the current value of the dollar in that State by invariable usage." This statement is not very clear as to the mode of ascertaining the proportionate value of the two currencies referred to, but it shows that before the actual coinage under the Act of 1792 the exchanges were adjusted according to the value of the dollar adopted by that Act.

It will thus be seen that the par of exchange is not only a fiction, but a gross error. And it is also shown how little the actual coinage of our country has to do with paper exchanges, and how inoperative the supposed advantages to arise from a change in the coinage would be, so far as relates to foreign exchange.

I cannot but regard it as a grave error in our delegate to the Paris Convention in not presenting the superior advantages of the dollar as a common unit of value. The dollar is the coin of America, North and South; it is well known to a large portion of the world; and being a proper and judicious medium between the pound sterling, which is too large, and the franc, which is too small, it furnishes the most convenient and suitable unit for coinage as well as for money of account. It is sufficiently large to be represented in a gold coin which is a favorite of the people where it circulates; and its hundredth is small enough to represent the least prices at which it is desired or desirable to sell articles by retail. In accounts it indicates the sum of ordinary transactions without the multiplicity of figures which a smaller unit, such as the franc, involves; while it is unnecessary to use a notation extending beyond the hundredth, as would be required where the unit is of large value, as is the case with the pound sterling.

The United States was first in point of time to adopt a decimal system of money and account. This was done by a resolution of Congress in 1785, by which it was enacted that "the money unit of the United States shall be one dollar, and the several pieces of coin shall be in a decimal ratio." A few years later, France adopted her decimal system, and extended it to weights and measures as well as to coins and money of account. We might with advantage follow her example as to weights and measures; although I am not so clear whether the people who speak the English language, which comprises more than any other in Europe and America, ought not to set up a system which would be expressed in well-known English words. But as to our money unit, the dollar and its multiples, I think we should most rigidly adhere to it; and in time it will become the money unit of Christendom, if not of the world, and thus justify the propriety of the name given to it by our Washington Irving—"The Almighty Dollar."

It appears, from the report of Mr. Ruggles, that one of the British commissioners suggested "that the gold dollar of the United States should be made equal to one-fifth of the sovereign." This suggestion afforded an opportunity to present to the commission the superior advantages of the dollar as the common unit, and to show how readily the coinage of Great Britain might be made to conform to it. But the opportunity was not taken: on the contrary, the delegate from the United States answered "that both the British sovereign and the half-eagle of the United States should be reduced to the value of twenty-five francs." The report adds: "The difference of opinion on this point between the delegates from Great Britain and those of the United States and other nations led the congress to adjourn without deciding the question." Without the co-operation of England no unification of coins can be of any practical utility to the United States; and it is to be regretted that our delegate seemed to be so much in favor of the French system that the suggestion of the English commissioner was answered by him in such a way as to cut off any further discussion of any system which did not conform thereto. It seems to have been taken for granted by all the delegates, except those from Great Britain, that the coins of France were to be taken as the standard; whereas our commissioner, even if he did not present the superior claims of our dollar, according to its intrinsic value as now established, ought to have advanced the principle that all the nations interested were called upon to make some concessions if even a nominal unification of coins was to be obtained.

A single standard (namely, gold) was adopted by Great Britain in 1816, and by the United States in 1853. The demonetization of silver in these countries was produced by diminishing the proportional *weight* of the silver coins. In England, the depreciation of silver below gold at the prices which ruled when the standards were adjusted, was about eleven per cent. In the United States, the depreciation as compared with gold was about seven per cent. France practically followed these examples in 1865, when her silver coinage below the five-franc piece was reduced about the same as the United States. She, however, reduced the *fineness* of these coins from .900 to .835—a most unwise measure. Great Britain and the United States maintained the standard fineness of their coins, and only reduced the weight. These reductions in the silver coins, besides leading to the maintenance of a single standard—namely, gold—were rendered necessary in view of the large production of gold and the consequent appreciation of silver. In the United States, for example, silver coins previous to 1853 were issued at the rate of $\$1.16\frac{4}{11}$ per ounce of standard fineness, but silver came to be valued in the markets of the world at about $1.21 per ounce; consequently the coins were more valuable as bullion than as a circulating medium. Notwithstanding these well-known facts, our delegate in his report announces it to be a great *concession* by the nations represented in the conference that a single standard should be adopted!

It is also said by Mr. Ruggles, in advocating a reduction of the gold coins of the United States, that "no practical inconvenience was experienced from the Act of Congress of 1834, which reduced the weight of the gold dollar more than five per cent." A few words of explanation will show that the Act referred to has no analogy to the reduction as at present proposed. When the Mint law of 1792 was passed, both gold and silver were, *pari passu*, adopted for the money of the United States, and the ratio of fifteen to one was assumed; that is to say, gold was estimated as being worth fifteen times as much as silver. But this proportion was found to be inaccurate. Although it was to some extent fluctuating, yet upon a general average it was ascertained to be nearer sixteen to one. The effect of this error of proportionate value was

to reduce the coinage of gold and restrain its circulation. Being always at a premium, the coins were exported to Europe in the course of trade or used in the arts at home, being more valuable as bullion than as coin. Silver thus became practically the specie currency of the United States.

The Act of 1834—commonly known as Colonel Benton's bill—was passed to correct the error of 1792. By it the proportion of sixteen to one was established. This was an increase of about six per cent. on the former mint value of gold. The effect of the law was favorable to the gold coinage. It was feared at the time, as stated by Messrs. Eckfeldt and Dubois in their *Manual of Coins and Bullion*, "that the habitual state of the market of precious metals would not justify so high a valuation. It is a remarkable fact, however, that our gold and silver coins have ever since that day passed concurrently, without premium either way." This was in 1842: ten years afterward the proportionate value of the two metals was disturbed by the enormous production of gold from California and Australia, which increased the value of silver, and induced the reduction authorized by the Act of March 3, 1853. This Act was beneficial in its character in two respects: 1. It gave us a single standard of value—gold. 2. It provided for a silver currency subordinate to gold. The silver dollar, although not embraced in the Act cited, has ceased to have any circulation: it is only useful for cabinets of curiosities. These facts and views show that there is no parallel between the Act of 1834 and the proposed reduction of the gold dollar, now the established standard of value in the United States.

The recommendation of the Paris Convention finds little favor in Great Britain. A recent report from the commission on international coinage takes ground against the adoption of a gold coin of the value of twenty-five francs as a substitute for the sovereign, and it is recommended that the whole subject, now under discussion in Europe and America, should receive further consideration in a general monetary conference.

We all know how tenaciously Great Britain adheres to her pound sterling. A few years ago the writer had a correspondence with Lord Monteagle, formerly Chancellor of the British Exchequer, on the subject of a decimal coinage, in which he suggested that if the decimalization of the British coinage were effected by adopting, in place of the pound sterling, a new unit of value of one hundred of the present divisions of the pound—say, one hundred farthings, halfpence or pence—all prices and coins under the present system would be exactly measured in the new unit and its parts, which would also be very nearly commensurate with the dollar of the United States. A unit of one hundred halfpence, for example, which might be called a dollar, would be equal to $1.01.3 of the United States; an approximation to our unit so close that the moneys of the two countries under such a system might be deemed substantially identical. And he also suggested that "the system of British money would be greatly improved if the occasion of its decimalization were availed of to make a change from a binary to a decimal notation in the fineness of their coins. In such case the fineness adopted by the United States and France—namely, .900 fine—would seem to present superior advantages." These suggestions were made the subject of queries afterward presented by Lord Overstone, of the same commission, and were carefully considered, but not favorably received, in view of the fact that the English people did not then, and perhaps do not now, favor any divergence from the pound sterling. They will be slow to adopt any system which will impinge upon that which they have so long used, and to which they are devotedly attached. Nevertheless, the advantages of the decimal system of money and account are fully appreciated in that country; and the time may soon come when the British government and people may be willing to make some concessions in order to

obtain it. And when that time comes, they cannot fail to perceive that the American system of money is superior to the French, not only in the size and value of the unit, and in the more ready expression of the weight of the coins, but because the multiples of the dollar approximate more nearly to the pound sterling than the multiples of the franc. Moreover, they will then be in unison with a kindred people, speaking the same language and deriving their principles of liberty and civil government chiefly from the same common origin.

It is a singular fact, noticed in the United States Mint report for 1868, that the *weight* of the coins in France, although founded upon a decimal system of value, cannot be expressed in decimals. "Her normal coin, the twenty-franc piece, is precisely $6\frac{14}{31}$ grams; a most impracticable and unscientific figure. Nor would the twenty-five-franc piece, the counterpart of the proposed half-eagle and pound sterling, make any better show. It is not fit to be measured either by grams or grains." And yet this is the coin the United States and Great Britain are invited to adopt!

In view of the awkward figures required to express the twenty-five-franc piece, it has quite recently been proposed to slightly increase the weight of the piece to the standard of eighty-one decigrams, or eight grams and one-tenth, which corresponds with one hundred and twenty-five grains. This would, of course, by increasing its value, bring it a little nearer to the half-eagle and pound sterling. But even if this did remove the objection to a standard based upon the franc and its multiples—which in fact it does not—we do not know that France would agree to this change. Her proposition is to take her standards, and to require the other nations interested to conform to them. Moreover, we have no reason to believe that this modification of the original proposition would be satisfactory to Great Britain. It would require an alteration in the weight of the sovereign, and a change in its fineness from eleven-twelfths—say, 916½ thousandths — the present standard, to 900 thousandths, the standard of France and the United States. In fact, this new suggestion rather strengthens the position taken by Great Britain, that the nations interested are not prepared to adopt the system proposed, and that a general monetary conference, in which the whole subject may be considered, is desirable, and may lead to some practical and useful results.

I may here repeat the general remark heretofore made, that without the co-operation of Great Britain any project for a unification of the currency will be useless and inoperative; and to accomplish it all the nations interested in it may be required to make some concessions.

Whether these concessions will be made by the three great nations now considering this subject remains to be seen. There is one practical measure, however, of some importance, which can readily be attained — namely, the adoption by Great Britain of the standard fineness now maintained by the United States, France, Italy and Belgium. The value, by *weight*, of the coins of these nations would then be the same if each country maintained with proper exactitude the prescribed standard of fineness; and to accomplish this some general regulation might be adopted, like the annual assay at the mint of the United States, or the trial of the pyx in London.

It is some indication that Great Britain may be willing to concede this much, and perhaps more, in view of the suggestion made by her commissioners on international coinage that the subject ought to receive further consideration in a general monetary conference.

I have not herein specially noticed the measure introduced in Congress by Judge Kelley from the Committee on International Coinage, although my remarks on the other propositions will to some extent apply to it. It contemplates an international coinage on the metrical basis of a unit of weight; and for that purpose it adopts the French gram. This is a suggestion of great

merit. To accomplish it, however, Great Britain must reduce the *fineness* of her coins, and all the nations interested must alter, more or less, the *weight* of their coins. An advocate of this plan, Mr. Eugene Northumb — whose interesting paper from the *Prussian Annals* has quite recently been published —frankly states that "a perfect identity of coinage among all nations is impossible, as the only end that can be reached is, that all should bring their coinage into simple relations with the unit of weight—the gram." But are the nations prepared to adopt this unit of weight? The movement to adopt the French metrical system does not find much favor in Great Britain or in the United States. A well-informed writer in a recent article* says: "The people at large in England and America take no part or interest in the question. Our men of science are divided upon it; and some of them who have paid special attention to the subject (represented, we may say by Sir John Herschel in England, and Professor Joseph Henry in the United States), however they may favor the ultimate adoption of a universal standard, offer serious objections to this one in particular." The same writer presents cogent reasons for preferring grains, ounces and pounds to the French system, and shows how readily those weights could be put into a decimal relation to each other, without altering the weight of the pound.

Without the concurrence of the other nations it would certainly be inexpedient for the United States to put her coinage in unison with the German standard, as is proposed—namely, to strike a coin of the weight of $33\frac{1}{3}$ grams (expressed by a long-extended decimal), to be denominated $20, to be equal to three union crowns (gold) of Germany. No practical result would be gained by this system further than that which is herein suggested—namely, that if the coins are of equal fineness, then equal weights will be of equal value, without reference to the denomination of the pieces. For example, if nations would make their coins of like fineness, and adopt, say, the ounce troy with its multiples and decimals, as is done in keeping accounts at the mint of the United States, they would have a common standard of comparison; but without a *common unit of value and account*, this uniformity in fineness, or even a unification of coins, will be but of little value.

I think I have herein shown that the dollar of the United States possesses peculiar claims to be adopted by all nations as the most suitable money unit and money of account.

The proposition of unification based upon the French gram and German standard is certainly worthy of consideration from a monetary conference; but in advance of its being approved by the other nations interested, it seems inexpedient for our country to adopt it.

The foregoing considerations lead to the following conclusions: 1. The advantages of an international coinage are overstated by its advocates. 2. There are practical difficulties in establishing and maintaining a unification of coins of different nations. 3. The propositions heretofore made are liable to serious and manifold objections. 4. The value of the gold dollar ought not to be reduced, nor any system adopted which would impinge upon it as the American unit of coin and money of account. 5. All nations should be invited to adopt the dollar as the most suitable money unit. 6. It is desirable that there should be a uniformity in the fineness of the gold coins of the different nations. 7. Great Britain ought to adopt the standard of the United States, France, Italy and Belgium in this respect—namely, in the gold coins in 1000 parts by weight 900 shall be of pure gold, and thus make equal weights of equal value. 8. A single standard—namely, gold—ought to be adopted by the nations. 9. A general monetary conference, as suggested by the British commissioners, is desirable, and may lead to useful and practical results.

JAMES ROSS SNOWDEN.

* W. E. DUBOIS, Esq., *Bankers' Mag.* for September, 1869.

Rev B. ...
... J. R. Snowden
U. S. Mint

A

MEASURE

PROPOSED TO SECURE TO THE PEOPLE

A Safe Treasury

AND

A SOUND CURRENCY.

By James Ross Snowden,
Director of the Mint of the U. S.

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PHILADELPHIA:
BENJAMIN F. MIFFLIN, WALNUT STREET.
1857.

INTRODUCTION.

The following communication, addressed to the Secretary of the Treasury, is published with his sanction.

The proposition therein considered embraces two objects, namely:

1. To authorize certificates to be issued on deposits of *gold bullion*, at the Mint and its branches, and the Assay Office, in convenient sums at the option of the depositor, and payable to bearer.

2. To permit similar certificates to be issued at the minting establishments above named, and at the Treasury and Assistant Treasuries of the United States on deposits of the *gold coins* of the United States.

The Mint is authorized, by the 19th section of the general Mint law, passed January 18th, 1837, to give the depositor "a certificate of the net amount of his deposit, to be paid in coins of the same species of bullion as that deposited." But it is proposed to go further, and permit several certificates to be issued for the same deposit, by dividing the amount into such sums as the depositor may wish, and making them payable to bearer. It might be proper that neither the *bullion* nor the *coin* certificates should be issued for a less sum than twenty dollars; but this point, as well as the details of the plan may, with propriety, be left for future consideration. If the principle suggested is sanctioned, the details can be very readily supplied.

As reference is made in this paper to a remark in my last annual report, respecting the production of the precious metals within the last few years, it is deemed proper to insert it here. After showing

that the whole coinage of the Mints, up to the 30th of June, 1857, amounted to upwards of five hundred and eighty-eight millions of dollars, I observe that "of this amount there has been received since the 1st of January, 1849, of native gold, the production of the United States, the sum of four hundred and two millions of dollars. If, in addition to this sum, we add the gold produced in Australia, and other foreign countries during the same period—which may be stated to be about five hundred millions of dollars, and the production of silver bullion from all sources, which is at the rate of about forty millions per annum—it will be seen that within this comparatively brief period, the world's supply of the precious metals has been increased to the extent of twelve hundred and forty millions of dollars. In view of this great increase, and of the further supplies which will doubtless for years to come be received from the same sources, it may well be considered, whether in a country so highly favored with the production of gold, and the supply of silver as ours, some measures should not be adopted by which the people, in like manner with the Government, should enjoy the advantages of a specie currency."

I beg also to add, as a further remark, that since the present communication to the Secretary of the Treasury was prepared, the contingency therein referred to, of the probable withdrawal of the bullion fund from the Mints, has happened. As the Mints are now without a bullion fund in gold, and great delay in paying depositors of gold for coinage must necessarily take place, the reasons in favor of the issue of Mint and Coin certificates are much strengthened. On this point I refer particularly to the sixth paragraph of the communication.

In concluding these preliminary remarks, I think it not inappropriate to refer to the second annual message of Gen. Jackson, in which it will be seen that he thought it practicable and constitutional "to organize a branch of the Treasury Department,

based upon *public* and *individual* deposits." The Independent Treasury system has most happily provided for the security of the *public* deposits; and established a constitutional currency for the government. We will have advanced further in the right direction when we provide an equally safe Treasury for *individuals;* and secure to the people a paper currency which will actually represent, and be at all times convertible into, gold.

If, in addition to this measure, the States adopt the Independent Treasury system, then the country will substantially possess the advantages of a specie currency, and be relieved from the pernicious influence of banks of issue. The banks will then become what they ought to be, namely, places where deposits of money may be made, drafts purchased, and discounts obtained. Gold and silver, and the undoubted equivalent of the former, namely, mint and coin certificates, will then be the general currency of the country.

To assist in the accomplishment of these desirable results, this brief pamphlet is respectfully submitted to the public.

J. R. S.

MINT OF THE UNITED STATES,
Philadelphia, Dec. 24th, 1857.

MINT OF THE UNITED STATES,
Philadelphia, November 4, 1857.

TO THE HON. HOWELL COBB,
Secretary of the Treasury.

SIR:

When I submitted to your consideration a proposition, relative to the issue of certificates on the deposit of gold bullion and coin, and placed in your hands a brief statement of some of the advantages which would result from their issue, you were pleased to indicate a wish, that I should present my views more fully on the subject. In doing so, I will notice some of the advantages of the plan proposed; and will adopt the same order pursued in the paper I placed in your possession.

1. *Security to the owners of specie.* This would be the same as that of the government for its own funds, and no improvement in this respect would probably be desired. The advantages of this security would be felt to be so great, that I am satisfied that large amounts of the precious metal would ultimately be accumulated in this way. At present, the holders of coin, beyond what is immediately needed for current use, have to choose between private hoarding

with its hazards and annoyances, and the public injury consequent upon its withdrawal from circulation, or its deposit in a bank, to be exposed to the various risks, which sad experience shows to be incident to such an institution.

2. *The practice of hoarding is much induced by a want of confidence in banks and individuals.* If the holder of coin is made secure, he would, in most cases, gladly bring it forth from its hiding place, and thus relieve himself from the anxiety and danger which arise from its possession. Robberies, burglaries, and murders are frequently induced by the practice of hoarding. It is believed that the plan proposed would check this injurious habit.

3. *The specie thus deposited would not be withdrawn from circulation.* On the contrary, it would be as available as if it remained in actual circulation. The specie certificates, representing as they would dollar for dollar, would be as advantageous, for the purpose of currency, as the coin itself. For making payments to the government, and for domestic exchanges, and in other large monied transactions, they would be more convenient than coin, by reason of their portability, the readiness by which they could be counted, and their facility of transmission.

4. *The specie thus deposited would constitute a great reserve, to be withdrawn, at any time when a special demand for coin might arise, without the slightest disturbance of the commerce, finances, or loan market of the country.* This is undoubtedly a most beneficial feature; and

that it may be better understood, a brief reference to the usual causes of what is called a financial crisis, is appropriate. Such a crisis we find, in this country, almost always to happen in consequence of an unusual demand, or the apprehension of such demand, for coin. This demand is chiefly induced by an excess or redundancy of paper currency and credits, evidenced in the first instance by a demand for coin for exportation. Under a proper system of currency, namely, one of specie, the exportation of coin cannot be regarded as injurious. Gold, under such circumstances, would go wherever it is required, just as cotton, wheat, or any other production of the soil does.—But whilst we rejoice at the exportation of these agricultural productions, we evince great reluctance in parting with gold. This is a consequence of the false artificial system which has been imposed on the community; and to this we must look for an explanation. We shall find it in the organization of our banks. These institutions are mainly the repositories of the specie of the country, except what is in current circulation and in the vaults of the government. On the basis of this specie they obligate themselves to pay, on demand, to their depositors and note holders, in coin, an amount from six to ten times, or more, the total value of the specie actually in hand. This disparity of immediate means to immediate liabilities is so great, that in case their creditors, or any considerable proportion of them demand the specie, the banks must fail to pay. But even what is comparatively an insignificant call for coin, and does not cause the failure of the banks, may, nevertheless produce great disasters to the business operations of the country. The banks, conscious

of their inability to withstand a demand upon them, endeavor to check its first symptoms, and to protect themselves, by calling in their loans, or collecting them as they fall due, and refusing the discounts to which the merchants and manufacturers have been accustomed. Such a contraction of loans, to a community which has based its business on the expectation of them, must necessarily prove eminently disastrous. How often have we seen a slightly increased demand for specie on the banks, growing out of, perhaps, the accident of a foreign war, or an unusual import of foreign goods, bring in its train that contraction of the loan market which eventuates in a paralysis of credit and business, and the prostration of the merchant, manufacturer, mechanic and laboring man? But without enlarging on this topic, I think it will readily be seen that it would prove a great benefit if the demand for specie did not operate, as it now does, upon the banks, or in other words, upon the loan market. By the adoption of the plan under consideration, I am of opinion that any unusual drain of coin for foreign exportation or otherwise, would operate mainly, if not solely, on these mint and coin certificates. If so, it is evident that the banks could continue their usual functions without being disturbed by such a demand. The loan market would not be affected in any degree, and the panics and financial disasters, now so constantly attendant upon the movement of specie, would cease. These views, of course, are predicated upon the idea that the certificates herein noticed are not to be counted by the banks as specie. It is not designed to affect the legislation of the several States on this subject, which permits only the

coin of the United States to be so counted. Hence the certificates could not be used as a means of banking operations, but as a circulating currency themselves. The gold which they would represent would be the great reserve, to be used when the special demand for it should arise.

5. *The plan, by substituting paper for specie placed on deposit, will avoid the loss incident to the wear, clipping and other injuries to coin, through circulation.* This in time constitutes quite a considerable item of loss, and ultimately eventuates in a degradation of the standard by diminishing the weight, or involves the expense of re-coinage. A re-coinage ordered by the English government was commenced in 1774, and ended in 1788. During that period the coinage was £18,000,000. Probably three-fourths of this amount were pieces re-coined. The deficit of weight was an expense to the government of £500,000—about 3½ per cent. Many of these pieces, it is true, had been in circulation for a very long period. But a loss by wear is unavoidable, inasmuch as the metals used must be sufficiently malleable to be rolled, cut into planchets, and milled, and receive the impression from the dies at a single blow.

6. *The plan would obviate the necessity of a government bullion fund being retained at the Mints.* In explanation of this remark, I mention that depositors of bullion are now paid immediately after the values of their deposits are determined by an assay, say in two or three days, although it takes as many weeks to manufacture their bullion into coin when it is brought

to the Mint in its natural or unrefined condition. The government advances to the Mints and the Assay Office the funds necessary to affect such prompt payments; and it is found that for all the establishments about five millions of dollars are required. But under the proposed plan so large an amount of the deposits would remain permanently on hand uncalled for, that these government advances could be withdrawn without any inconvenience, which in the present state of the treasury would be highly advantageous, and seems, indeed, in any contingency, to be desirable.

7. *It may be alleged that the proposed certificates would substitute a government paper currency for a specie currency.* To this I remark, that such an objection is founded on an abuse of terms. A paper currency, in the sense generally understood, and to which all the objections to such a circulation apply, is one emitted upon the mere general credit of the issuers, whether individuals, banks or governments. As to banks, their principal object is profit to their stockholders. The more of their credit they can lend, the greater profits accrue. Hence they are stimulated to outrun each other in the career of expansion, fostering a spirit of speculation and high prices, which induces increased applications for discounts until the currency becomes redundant; when some apparently trivial cause exposes the instability of the system, and brings on a reaction, producing ruin and destruction to all the industrial pursuits of the community. It is unnecessary, however, to discuss the evils of the banking system. The present unhappy condition of the country speaks, on this point, more forcibly than

words. But none of the evils thus adverted to can be produced by the certificates I am now considering, because they will not be based upon the credit of the issuers, but upon deposits of bullion and coin. They will, in fact, be merely receipts for bullion and coin. There cannot be an over-issue of them any more than the specie, for which they are receipts, could be an over-issue while in circulation. Nor could their emission have any further tendency to inflate prices or encourage speculation than such specie itself.

8. *It is proposed that the certificates be made payable to bearer, and not to order.* For manifest reasons the former will be the most expedient, both as facilitating the currency of the certificates, and relieving the government and its officers from responsibility or uneasiness, in relation to the genuineness or validity of endorsements.

9. *It may be admitted that the plan will involve some risk, and perhaps expense to the government.* With proper guards and checks, such as are used in carrying into effect the Independent Treasury system, and such further securities as may be deemed expedient, the risk may be regarded as inconsiderable, and the expense but trifling. The official organization for the execution of it is, at present, complete; some additional clerical services may, on experience, be found necessary, which could be provided for as the exigencies of the case may, from time to time, arise. But if the risk and expense are made a subject of objection—allowing them more force than they seem to possess—it may be asked by way of reply, whether it

does not become necessary for the government to assume a responsibility and expense to accomplish a great constitutional object and an evident public benefit, as is done in other cases where its action is deemed expedient.

As a general remark, I may state, that the adoption of the plan proposed will give to the people the benefits of a system similar, in many respects, to the admirable one now used by the government. It looks towards the adoption, by the people, as well as the government, of specie or its undoubted representative, as the general medium of currency and exchange. It will, also, in my judgment, lead to the establishment of similar coin treasuries in the several States.

In my recent report to the Department on the operations of the Mint, I have exhibited the amazing increase in the world's supply of the precious metals within the last few years. I will not enter upon this subject here; but I refer to it in this connexion for the purpose of showing that if we create a demand for coin, we can have it to any amount that the business of the country requires.

The project I have been considering is not absolutely unsupported by precedents. Banks, according to their primitive organization, and before they became vitiated with the privilege of issuing paper money, were mere depositories for bullion and coin, securing to the depositor a credit exactly equal to such deposits. The banks of Venice and Amsterdam were such; and the Bank of Hamburg still remains on that footing. To show the exceeding commercial convenience of the plan, it appears that the credits in the banks of Venice and Amsterdam, always bore a

premium as compared with coin up to the time of their subversion under the French Revolution. The Bank of England also, under its late re-charter, embraces some features assimilated to the proposed plan. It has the privilege, it is true, to issue notes on its general credit up to the sum of £14.000.000; but all notes issued beyond that sum can only be in exchange for an equivalent amount of bullion brought to the bank. Its functions in regard to such additional issues are therefore absolutely mechanical, as much so as would be the case under the proposed plan of issuing specie certificates. It was the intention of the authors of the new bank charter—which was introduced by Sir ROBERT PEEL, and prepared by him and other eminent political economists of Great Britain—that the volume of the currency should swell and diminish just as specie would were there no bank. As specie accumulates, it goes to the bank to be exchanged for an exactly equivalent amount of notes. As specie is demanded, it is withdrawn by the notes being returned again. This result appears to have been thus far secured. There are, however, objections to the English system, growing out of other features of the organization of the bank, especially the power to issue the large amount of £14.000.000 on "securities," which may probably disappoint the expectations of its authors. The plan I herein advocate has all the benefits and none of the disadvantages or evils of the institutions referred to.

As to the power of Congress to authorize the issuing of the proposed bullion and coin certificates, I have no doubt. It is not a bank that is suggested or anything like one. No power to loan, to discount, or

deal in exchanges, or transact any other business, is asked for; but simply the mechanical function of receiving gold bullion and coin, and giving certificates therefor. Without looking to the other and more general provisions in the Constitution, this power would seem to be embraced in the constitutional recognition of "a treasury of the United States," and the power "to coin money; regulate the value thereof, and of foreign coin."

I remark, in conclusion, that this subject was recently brought to my special attention by JAMES WORRELL, Esq., of Harrisburg, who sent me a copy of a resolution adopted by the Senate of Pennsylvania, in which a part of the plan herein considered, namely, the use of Mint Certificates, as a circulating medium, was recommended, and who asked my views upon the subject. It will be observed that I have considered this point in connexion with that of recei ~~[illegible]~~ing deposits of *coin* at the Mints and Treasury offices of the United States. I have deemed it proper, for obvious reasons, to communicate my views upon these subjects to the Treasury Department.

I beg to express the hope, that the plan suggested may receive the sanction of the government, and of Congress, and thus secure to the people the benefits of a safe treasury, and a sound currency.

I have the honor to be, with great respect, your faithful Servant,

JAMES ROSS SNOWDEN,
Director of the Mint.